

## What do you consider the most important advancement in ETRM software in the past 15 years?

Dr Wolfgang Ferse, executive vice president, Commodities and Energy Solutions, OpenLink: Firstly, increased integration has been a major advancement. If you go back 15 years, software was available for the various parts of an energy company's activities, but it was dedicated to very specialised steps of the process. For instance, there was software for deal capture, risk management or back-office functions. But these distinct systems were not linked and so data could not flow between the front and back office, as it can now.

Secondly, a lot of these applications were Excel based, which increased operational risk and, although they were flexible, they also did not allow data to flow. During the past 15 years, these bespoke Excel solutions have been converted into applications.

There have been similar changes at a content level. Rather than a power trader focusing only on power, or a gas trader only looking at gas, an energy-trading desk can now handle a range of commodities within one system. This has allowed for the development of cross-commodity asset trading over the past 15 years.

Connectivity is the final major advancement that I would highlight. As mentioned earlier, systems used to be separated in terms of both the functions and the commodities they supported. Communication with another system involved exporting or importing information, phone communication or simply re-entering data. Now, there is connectivity at a data level because market information can be transmitted and viewed. There is also connectivity at a trading level because communication is possible between different internal trading systems, or externally with energy exchanges and even with other market participants' systems.

## What is the biggest contribution OpenLink has made to ETRM software development?

WF: We support the idea of cross-commodity trading and connecting the entire process from trading via risk management to logistics and connectivity.



*Creating one truly integrated solution was OpenLink's guiding principle when we began in 1992, and it continues to be so*



Dr Wolfgang Ferse

Similarly minded, many of our competitors have attempted to stitch together different systems to give the impression of a truly integrated approach. OpenLink has differentiated itself from them by making the 'integrated' concept a reality for our clients. Creating one truly integrated solution was our guiding principle when we began in 1992, and it continues to be so.

## What is the greatest challenge the industry now needs to address through the use of software?

WF: The energy resource shortage, combined with environmental issues, will be a big challenge going forward. For instance, how can consumption be influenced or controlled to bring energy efficiency through smart-grid technology, fuel-efficient engines and more efficient building insulation? Alternative energy generation will also require a different approach to modelling, in order to be included in a company's trading portfolio.

In addition, globalisation has become an important factor in the energy industry. For example, emissions have become a global issue, with credits and offsets traded between continents.

Another example of the effect of globalisation is the worldwide trade and transportation of gas, based on liquefied natural gas technology. This requires trading and logistics to be linked, as well as the development of risk management processes that can monitor these processes.

## How is OpenLink addressing these challenges?

WF: It is essentially our philosophy, as signified by the name OpenLink, to link together all of the components needed to address these issues.

Our worldwide client base has also forced us to think on a global scale. The challenge from Europe is to support emissions trading between

Europe and Asia. We also have challenges from the US to combine infrastructure, investment, optimisation and renewable energy. So, we aim to create solutions to these challenges and bundle them together on our platform.

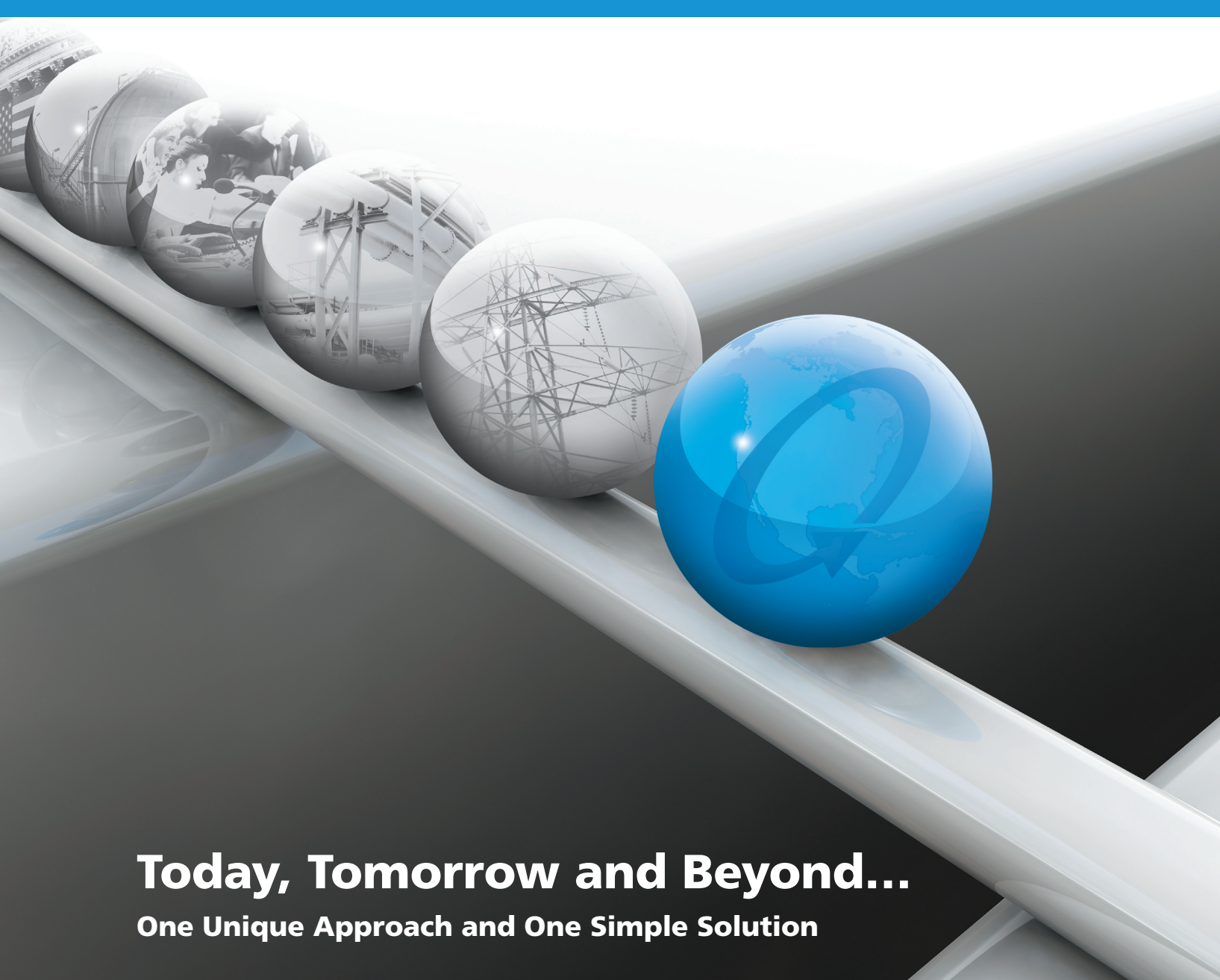
## What developing trends do you foresee for the ETRM software sector over the next few years?

WF: For a company to be successful in addressing all of the challenges detailed above, it will not be enough to have a traditional ETRM system that facilitates deal capture, runs risk reports and supports back-office operations. A 'smart ETRM' will be required – something that OpenLink is in a leading position to provide.

Such a system will provide a trader with two additional features: information about the impact of their trading decisions on logistics and transportation (and vice versa); and decision-support tools. For example, if a gas trader wants to make a smart-ETRM decision, there are multiple ways in which to execute this: purchase contracts; sales contracts; storage; different routes to transport; different costs and capacities; and the spot market. This is where a decision-support system is crucial. Combining an optimisation engine with a flexible trading system creates a more meaningful picture of how a portfolio might perform in different future scenarios and that provides a framework within which more optimal trading decisions and portfolio construction can occur.

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